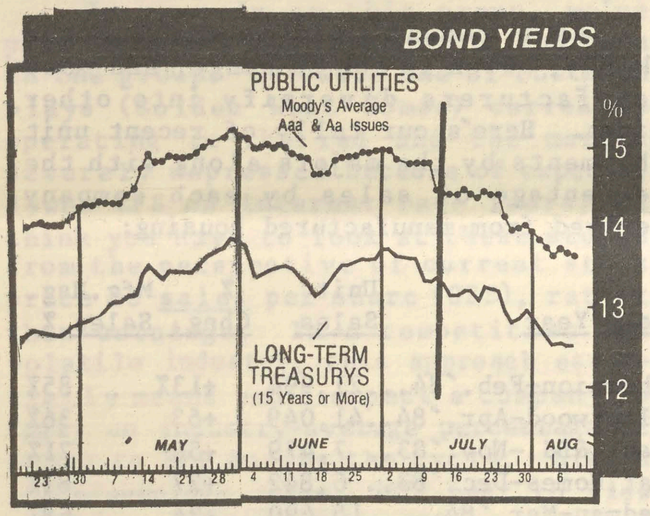
Audit's® MARKET ANALYSIS OF SECURITIES OF REITS AND REAL ESTATE COMPANIES

Realty Stock Review

August 10, 1984 (Priced Aug. 8) VOL. XV, NO. 15

MARKET STRATEGY: THE RALLY'S STRENGTH SURPRISES US BUT THIS GRAPH SAYS 'GO'



Thank you, Paine Webber and all you fellow investors. When we printed this little graph from **The Wall Street Journal** exactly four weeks ago, we never dreamed there were so many of you who gave a farthing. That little graph and our lonely voice expecting lower interest rates inspired more phone calls than anything in months.

Then the monster rally beginning last week. We'd expected it -- but not with the bang of 200,000,000-plus share days. We've always known you subscribers were involved, but -- thanks.

What to do now? We don't like to chase stocks and while we're most encouraged by the continued fall of long-term rates, continuing upward pressure on short-term rates is a nagging worry. We reprinted the graph to show what's happened the past month, with long Treasuries down about 50-60 basis points. Essentially it means to us that major investors are becoming increasingly convinced that the inflation dragon is wounded, if not dead. For the first time in many moons, they are willing to go out on the yield curve and put money out at good yields.

If that's the case -- and we believe it is -- then we think it's only a matter of time until short rates start down too. Frankly we're glad to see many economists preach caution now, and opine about the differences between now and the 1982 rally, and otherwise create enough doubt about the rate future that it will let you establish new positions in the inevitable profit-taking sure to come. That's one reason why we review the manufactured housing group this issue; no other group is so interest sensitive and the performance table on page 8 shows the group up a stunning 24.7% the past two weeks, far and away the best performance.

Lower inflation may however slow the rate of increase in asset based stocks, notably the property REITs, and that trend shows too in the data on p.8.

DEPARTMENTS INSIDE

STOCK REVIEWS THIS ISSUE

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PUBLISHED TWICE MONTHLY ON THE SECOND AND FOURTH FRIDAYS SUBSCRIPTIONS $244 ANNUALLY/GROUP RATES ON REQUEST

GROUP REVIEW: MANUFACTURED HOUSING HIT BY RATES BUT GROWS ON AFFORDABLE UNITS

Quietly and without much fanfare, the manufactured housing companies are slowly winning the war of affordability in the housing markets. More than anything else, we think this explains why mobile home shipments rose 23.4% last year to 295,600 units, highest in a decade. The percentage increase was far behind the 51.1% gain scored in 1-family housing starts, but the first real sign of revived growth in manufactured housing.

Over the past four years, average retail selling price of a double-wide mobile home (two coaches paired to provide a living unit averaging 1,350 sq. ft.) rose only 7% while the average single-family house rose 17.5% and the average consumer price index increased 21.1%. Here's our tally of averages:

	Consumer Prices	Single Family	Single Wides	Double Wides
1980	246.8	$76,400	$16,000	$28,500
1983	298.3	89,800	17,600	30,500
Chng	+21.1%	+17.5%	+10.0%	+ 7.0%

Lest you be carried away, such figures have been used for the past decade to demonstrate the allure of manufactured housing and shipments remained mired at about 225,000-275,000 DU annually (down sharply from the all-time peak 576,000 DU in 1972). But during the intervening 10 years a number of changes have taken place, mainly (1) upgrading and standardizing of industry codes to facilitate interstate shipment and location; and (2) availability of house-type FHA financing rather than short term personal property chattel financing. Both have enhanced consumer acceptance, and the general upgrading of mobile and modular home communities have made manufactured housing a real option for many persons without resources to buy a site-built single family home.

But while manufactured units seem to be winning the affordability race, sales remain clouded by recent interest rate rises and intense competition from over 180 manufacturers seeking the consumer dollar. Units are sold by and large thru independent dealers who generally aren't tied to any particular brand. For that reason the industry strikes many as akin to the infant days of the auto industry. Champion Home Builders has made some progress in changing this structure by backing company owned retail lots handling only its brand, but so far such sales account for a tiny fraction of industry sales.

As a result, profit margins are skinny, often in the 2% range, and most manufacturers diversify into other lines. Here's our tally of recent unit shipments by the majors along with the percentage of sales by each company derived from manufactured housing:

Co.& Year	Unit Sales	% Chng.	Mfg.Hsg. Sales %
Champion-Feb.'84	21,994	+13%	85%
Fleetwood-Apr.'84	41,049	+53	36%
Kauf.&Bd.-Nov.'83	7,479	+56	21%
Nat.Homes-Dec.'83	6,842	+27	81%
Redman-Mar.'84	15,490	+24	68%
River Oaks-June'84	5,081	+67	89%
Skyline-May'84	16,980	+21	66%
U.S. Home	8,827	+ 2	12%
TOTAL 8 Cos	123,742	+31%	

Interim shipments		are:
Champion-May Q	5,238	- 9%
Kauf.&Bd.-6 mo.May	3,572	+ 8
Nat.Homes-6 mo.June	3,166	- 5
Redman-3 mo.June	4,264	+ 4
U.S.Home-7 mo.July	4,716	- 8

While industry average selling prices rose about 6.6% as tracked by the Census Bureau, average prices realized by individual companies show more variation depending upon the mix between single wide and double wides plus regional preferences. Here's our tally:

Co.& Year	Avg.Sale Price	% Chng.	% Double Wides
Champion-Feb.'84	$13,657	+13%	27%
Fleetwood-Apr.'84	12,614	- 2	29%
Kauf.&Bd.-Nov.'83	16,001	- 3	36%
Nat.Homes-Dec.83	7,630	+ 3	NM
Redman-Mar.'84	15,122	+ 6	NA
Skyline-May'84	14,894	+ 6	25%
U.S.Home-Dec.83	15,751	NA	44%

CURRENT DATA ON MANUFACTURED HOUSING STOCKS

ADVICE ST	LT	RANK		EXCH/ SYMBOL	GROUP	SHARE (000)	BOOK VALUE	ANN DIV	-EARNINGS-- MON	12 MO	LAST PRICE	% CHANGE JUL 24	FROM- JAN 1	P/E RATIO	ANN YIELD	% PR TO BK	RETURN ON BK	MKT VA (MIL$)
H	H	C	CHAMPION HOME	AS-CHB	10	35535	1.42	0.00	MAY	0.22	3.63	45.2	-17.1	16.5	0.0	155.6	15.5	129.0
H	H/B	A	FLEETWOOD ENTER	NY-FLE	10	23582	9.25	0.36	APR	2.71	19.75	36.2	-25.8	7.3	1.8	113.5	29.3	465.7
H	B	C	GOLDEN WEST HMS	AS-GWH	10	3375	5.05	0.00	MAY	-0.21	8.13	16.1	-8.4	0.0	0.0	61.0	-4.2	27.4
-	-	D	NATIONAL HOMES	NY-NHX	10	6894	3.03	0.00	JUN	0.19	3.63	32.0	-17.1	19.1	0.0	19.8	6.3	25.0
H	B/H	B	REDMAN INDUST	NY-RE	10	9752	6.62	0.30	JUN	0.70	9.88	11.3	-42.7	14.1	3.0	49.2	10.6	96.3
-	B	↑C	RIVER OAKS INDS	OC-ROII	10	10366	1.22	0.00	MAR	0.31	4.88	39.4	-21.9	15.7	0.0	300.0	25.4	50.6
H	H/B	B	SKYLINE CORP	NY-SKY	10	11217	10.65	0.48	MAY	0.73	13.88	12.1	-21.8	19.0	3.5	30.3	6.9	155.7
H	H/B	B	ZIMMER CORP	AS-ZIM	10	4598	5.27	0.10←	JUN	0.50↓	8.88	31.6	-31.7	17.8	1.1	68.5	9.5	40.8

To zero in on this group, we've printed above current statistical data on the group. But with one of the pure plays (Golden West Homes) currently operating in the red and the market severely depressed because of expected lower EPS on interest rate fears, we think you have to look at these stocks from the perspective of current stock price to sales per share (SPS), rather than earnings. In a competitive and volatile industry, this approach essentially means you'd expect a company to carry an industry-average percentage of sales to EPS during the cycle. Like a price/earnings ratio, it's best to view present sales-per-share ratios compared to the range over the latest cycle. That comparison of sales-per-share:

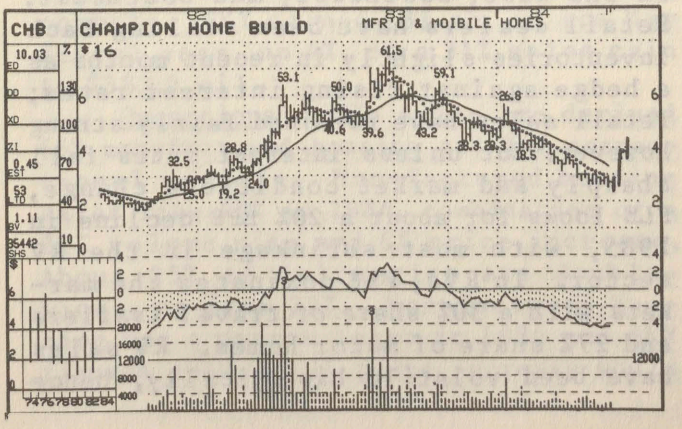
	Sales Per Sh.	-Sales/share- High-a	Low-a	Recent SPS
Champion..	$10.38	0.82	0.23	0.35
Fleetwood.	58.55	0.78	0.17	0.34
Golden Ws.	21.14	1.26	0.31	0.38
Nat. Home.	9.98	1.17	0.18	0.36
Redman....	35.33	0.95	0.22	0.27
River Oak.	7.56	2.18	0.46	0.64
Skyline...	34.21	1.18	0.35	0.41
Zimmer....	36.04	0.70	0.12	0.25

a-Latest two years.

Zimmer Corp. and Redman Indust. have the lowest current ratios but also have lower historic ratios. They may represent the best relative values now. Newcomer River Oaks hasn't had a long trading history, and Golden West, which reported loss for its May fiscal year, sells very near its lows. Ranking reviews of the mobiles follow:

Champion Home Builders Co. continues at C Rank off an earnings gain which rebuilds capital and reduces leverage. CHB earned 21¢ sh. in its Feb. 1984 year, up 50%, on a 28% sales gain to $353 mil. Sales rose a further 18% in the May qtr. and EPS rose 14% to 8¢ sh. Operations: CHB is heavily committed to manufactured housing where sales rose 27% in 1984 to account for 85% of company sales. Recreational vehicle sales rose 37% and account for substantially all other revenue. Manufactured housing carried 5.4% of revenues to pretax and accounts for 87% of pretax income. Despite a 12% shipment gain from its 22 plants, CHB encountered stiff competition in Texas and the Pacific Northwest and its national market share dropped to 7.4% from 8.1% in calendar 1983. CHB did well in the southeast and Florida. CHB has stressed double wides which rose to 27% of 1984 shipments, vs. 21%. This trend continued in the May qtr. as double-wide units rose 32% so that while CHB's total unit shipments fell 9%, the number of floors sold (i.e., counting two floors per double-wide) was essentially unchanged. Average selling prices rose 13% reflecting the mix change.

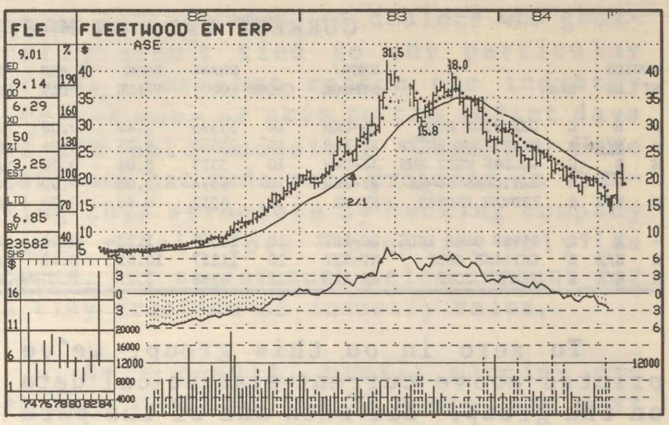
Marketing: CHB has taken the lead in setting up company owned retail centers in areas not previously served and now operates 36 centers mainly in the Southeast (Ala., Fla., Ga., La., Miss. & Va. plus homestate Mich.). Sales rose about 40% to $43 mil. in 1984 to account for 12% of company sales. One goal is



to show independent dealers that well-displayed units can produce extra sales for a single manufacturer/supplier. CHB also has put its own money into building manufactured home communities for management. It now manages 1,050 existing sites and has 3,300 additional sites in planning. <u>Finances</u>: CHB added $7.1 mil. to its real estate development in 1984, bringing the total to $11.5 mil. Construction was financed with construction loans and completed parks are sold to syndicates with CHB retaining management; CHB's share of operating losses was 7/10 of 1¢. In the past three years CHB has repaid $12 mil. of debt and improved liquidity. We expect CHB to earn about 25¢ sh. in 1985, assuming interest rates remain manageable, and while profit margins have been volatile historically, <u>see shares (3-5/8 - ASE) as short- and long-term holds in the current rate climate.</u>

Fleetwood Enterprises Inc. holds A Rank as the premier manufactured housing company. FLE EPS rose a stunning 115% to a record $2.71/sh. in its April 1984 year. This torrid pace may slow a bit as sales fell 4% in the July 29 qtr.; EPS haven't been announced yet.

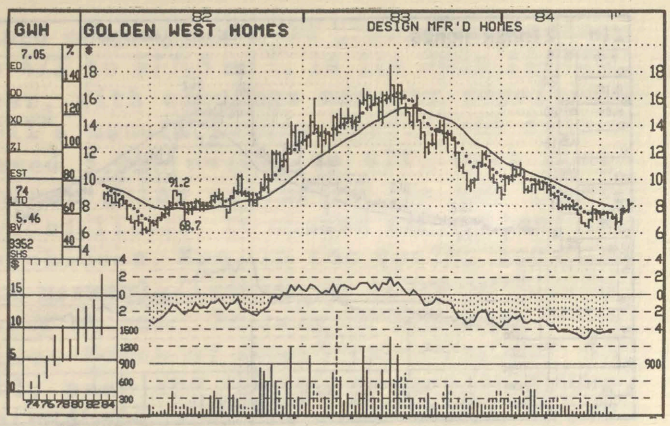
<u>Operations</u>: FLE leads in two industries, manufactured housing (36% of sales) and recreational vehicles (64%). FLE's manufactured housing shipments jumped 52% in 1984, more than twice the industry, and it now accounts for 12.6% of the industry, up from 9.2% (see table, p. 2). About 29% of 1984 shipments were multi-section units, up from 24%. Average selling price dipped 2% as FLE keeps focus upon affordable units. Total sales were $518 mil. FLE sells thru 2,300 independent dealers located mainly in the West, Southwest, and Southeast. Retail dealers have been scaling back inventories slightly in recent months as a hedge against rising interest rates; retail sales have remained fairly strong however. But unless interest rates fall sharply and market conditions change, FLE looks for about a 20% EPS decline in 1985, with most shrinkage in the RV sector. In RVs, FLE dominates the markets with a 30% share of travel trailers and 27% share of motor homes. RV sales have been volatile historically, hence

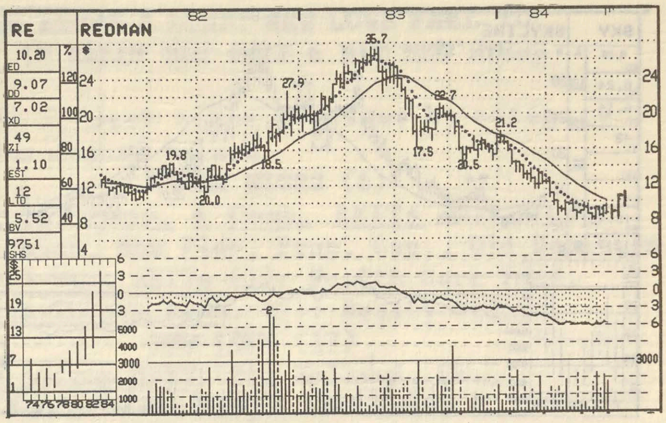


FLE's sharp stock price swings.

<u>Finances</u>: FLE historically maintains one of the industry's strongest and most liquid balance sheets. It holds over $100 mil. cash and investments, net working capital of $151 mil., equity of $218 mil. or $9.25/sh. There is no debt. FLE expects to make $18-$22 mil. capital expenditures in 1985, adding four plants and improving others. The shares have been volatile performers, falling 66% in the last year to a low 14-1/8 before bouncing sharply in the latest rally (chart above). At current levels shares are less than 10 times the $2-$2.25 EPS we'd expect in 1985, and near historic lows on a sales-per-share basis. <u>We're changing our advice to hold/buy for more aggressive long-term accounts.</u>

Golden West Homes keeps C Rank although it continues to lose money. GWH lost 21¢ sh. in its May year, level with 1983, although sales rose 60% to $71.7 mil. The closing quarter resulted in loss of 6¢ sh. and included a 7¢ gain on sale of non-operating assets offset by writedown of some assets, provision for future carrying costs of idle facilities, and start-up costs of 15 new company-owned retail sales locations in the Northwest. Loss was attributed to a marked product mix shift to lower priced and less profitable units and intense price competition. GWH disposed of a significant number of non-operating assets and pared debt by $4 mil. <u>Operations</u>: GWH operates seven plants (one idle) in Calif., Ariz. and Ore. In keeping with this market, a high proportion of units are double-wides. In 1982 GWH began building factory-built conven-





tional homes at two plants and hopes to expand their 9% of production in 1984. GWH began developing a mobile home community in 1981 but has since deemphasized this activity.

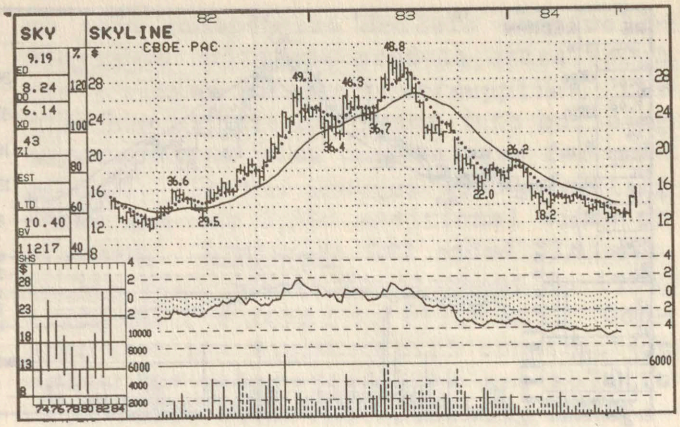
Finances & Management: Asset sales have cut debt by about $4 mil. at year-end, to about $2 mil. Liquidity appears to be improving although the current ratio had fallen to a low 1.11 at Feb., latest reported, and working capital was a low $1.68 mil. One big play here is emergence of William Lyon, a well known California homebuilder, as controlling holder in GWH. Lyon bought a 22% stake in GWH a year ago and now controls; his private Wm. Lyon Co. is one of California's major homebuilders and his presence should be of major help to GWH longterm. The stock has been hammered and was off 64% from its high before the rally. At $8 (ASE), shs. sell at 61% over the $5.05 book value. If GWH could earn an industry norm of 2% on sales, EPS would be about 45¢ sh. We're upgrading advice to a long-term buy based on Bill Lyon's turnaround ability.

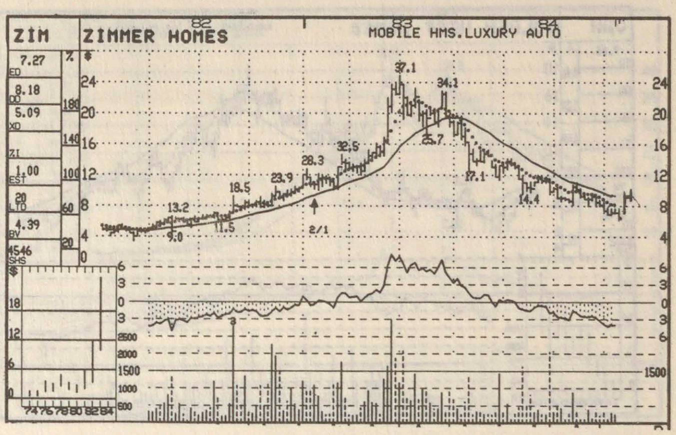
Redman Industries Inc. holds B Rank by maintaining financial strength. RE netted 78¢ sh. in its Mar. year, up 1%. EPS have been in the same level for four years running. The June qtr. saw EPS fall 26% to 23¢ on a 10% sales gain offset by higher selling and overhead costs. Operations: RE combines its manufactured housing (68% of $345 mil. sales) with manufacturing of diversified building products, mainly aluminum windows, doors and other products (32%). Mobile home shipments rose 24% in 1984 to 15,490 units, mainly in the 14 Sunbelt states running from Calif. to N.C. RE has about 5.2% of the national market, vs. 5.0% in 1982. RE owns 19 manufacturing plants but was not using eight at year-end; seven were leased to others and two were subsequently sold. Units are sold thru independent dealers. June qtr. shipments rose 4% and the Sept. qtr. is seen at about level with 1983, when EPS was 25¢ sh.

Finances: RE holds long-term debt of about 0.2 times shareholders' equity of $68 mil. or $6.98/sh. Current assets are 1.9 times current liabilities and $34 mil. working capital is $3.50 sh. Inventories and receivables are turned about 15 times annually. RE got out of park development in the late 1970s after some reverses and says it won't return. While a much less dynamic company than FLE, RE seems to have operations well under control and probably has low downside exposure at current prices. Too, the ratio of current price to sales-per-share is among the industry's lowest, indicating a lot of potential leverage if rates fall. We continue to list RE (9-7/8 - NYSE) as a longterm buy/hold for more aggressive accounts.

Skyline Corp. stays at B Rank as the most liquid manufactured housing company. SKY earned 73¢ sh. in its May fiscal year, up 4%, on a 31% sales gain to $383.6 mil.

Operations: SKY's sales are derived 66% manufactured housing and 34% recreational vehicle. Manufactured housing sales rose 28% in 1984, combination of a 21% volume rise and 6% price increase. About 25% of deliveries are double-wides, up from 22%. Manufactured housing was a narrow loser in 1984 and SKY figures that a 1.1% price increase would





have brought that segment to breakeven. SKY moved into the lower priced market strongly in the year by beginning a new subsidiary, Carrolton Corp., building affordable units from an Elkhart, Ind. plant. SKY's RV group boosted sales 38% in 1984 to $131 mil., although the May qtr. sales gain fell to 13%. SKY markets heavily in the West Coast and Pacific Northwest, where competition is intense and margins under pressure.

Finances: SKY is exceptionally liquid and well capitalized, to a fault in the eyes of some. At year-end cash and equivalents amounted to $84 mil. or $7.51/sh., and net working capital was $8.28/sh. Current assets are five times current liabilities. There is no debt. SKY regards its strong finances as the reason it's weathered many cyclical turns in manufactured housing. It views investment management of its cash resources as a third business line. Management owns about 20% of the shares and thus is in for the longer term. With shares at $13-7/8 (NYSE), they are about a 30% premium over $10.65/sh. hard book value and near their historic lows in ratio of sales per share (p.3). Though down about 55% from their highs (see chart), shares are upgraded to holds/buys for longer-term accounts.

Zimmer Corp. holds B Rank by continued strong finances. Recent EPS haven't been anything to write home about however. After rising 49% to 67¢ sh. in the Dec. 1983 year, EPS fell 40% to 26¢ in the first half of 1984. In the first half, margins narrowed sharply in manufactured housing, and product development and introduction costs hurt by about 20¢ pretax. Operations: ZIM sales of $162.5 mil. last year were 65% manufactured housing and 35% recreational vehicles, a segment including The Zimmer personal luxury autos. Manufactured housing has been lower margined and accounted for 47% of pretax income in 1983, with a 3.5% pretax margin. Higher margined recreational vehicles generated 53% of pretax with 7.4% pretax margins. Although manufactured housing sales rose 13% in the first quarter, pretax margins shrank to 1.1%. Rec vehicle sales rose 31% and margins fell slightly to 6.2%. Manufactured housing is produced at seven plants in Ind., Pa., Ohio, Kan., Idaho and Tex. and sold thru 800 independent dealers. In March ZIM expanded its recreational product line by acquiring Black Fin Yacht Corp. of Fort Lauderdale for 112,000 common shs., of which 84,000 are contingent on future earnings. Black Fin makes boats for offshore sports fishing and had $4.5 mil. sales in 1983.

Finances: ZIM stays liquid and latest reported current ratio was 2.1-1 with $14.9 mil. working capital equaling $3.19/sh. Book value is $5.27/sh., so that shares at $8.88 are 68% over book. Insiders own about 14%. We'd look for EPS to be about 50¢ sh. this year, with results more heavily dependent upon the motor car and yacht lines, both higher-ticket discretionary lines that seem to balance the lower priced manufactured housing. We list shares as holds/buys for the longer term.

River Oaks Industries Inc. wins C Rank in its first ranking. ROII was created a year ago by merger of an Alabama mobile home maker with a Colorado mobile/modular park developer. The com-

bined company reported preliminary sales up 47% to $77.5 mil. in its June fiscal year, with earnings not yet reported. ROII's manufacturing operations delivered 5,081 units, up 67%, with most volume gains coming in its new lower priced lines. It opened a new plant in Hutchinson, Kan. in the spring and has one assembly line going there with room for a second. In July it acquired North River Homes of Hamilton, Ala. for $5 mil. cash and notes, giving it entry into double-wide homes. North River adds about $25 mil. to annual volume. Mobile home community development, reported on a net basis, generates only about 4% of revenues but about 20% of pretax profit. In a typical deal, ROII buys and develops a mobile/modular community and then sells the park to investors, retaining management. ROII earned 28¢ sh. in the nine mon. thru March, up 75%. Because of strong early performance, we're listing shares as longer-term buys for patient investors.

National Homes Corp. was ranked D previously on April 27 and we make no change. NHX was profitable in the first half for the first time in several years, netting 11¢ sh. thru June, vs. 5¢ sh. loss in 1983. The 1984 results include 9¢ gain on debenture repurchase for its skinking fund and 11¢ property sales gains. Sales rose 13%, with about 82% derived from its panel home operations. Unit volume fell 5% to 3,166 DU in the half but the decline was in multifamily rental units where deliveries fell 30%; these generally are units sold thru competitive bids and hence carry lower margins. Single-family attached and detached homes rose 6% and carried higher margins, with result that panelized building sales rose 8% in the half-year. NHX shares have come down 66% from their peak and at 3-5/8 (NYSE) sell at only 20% over book value. While encouraging, we see shares as more speculative vehicles.

MERGERS & ACQUISITIONS: REAL ESTATE PROPERTIES AND OLD DOMINION IN DEALS

Real Estate Investment Properties is offering $10/sh. net cash for all shares of **U.S. Equity & Mortgage Trust.**

Old Dominion REIT plans exchanging 3.125 shs. for all of **Realty Indust.**

NEW HIGHS & LOWS: NEW LOWS FALL TO 17 IN RALLY BUT ONLY 6 HIT NEW HIGHS

New 52-week highs and lows by category thru August 8 are:

NEW HIGHS (6)

Gr.1&2-Prop. & Comb. REITs (4): First Union, New Plan, Prop. Cap., Old Dominion.
Gr.3-Mtg. REITs (1): Health Care Fund.
Gr.6-Income Prop. (1): Realty Indust.

NEW LOWS (17)

Gr.1-Prop.REIT (2): Hollywd. Pk., Santa Anita Rlty.
Gr.2-Comb. REITs (1):Realty Income.
Gr.4&5-Bldrs/Dev. (7):Centex, Deltona, Genl. Homes, Lifetime Comm., MDC Corp., Prop. Inv. Color., Universal Devel.
Gr.6-Income Prop. (2) Tierco, TA Rlty.
Gr.7-Mtg.Bank (2): British Land Amer., Brokers Mtg. Serv.
Gr.8-Diversified (1): Thackeray Corp.
Gr.10-Mfg.Hsg. (2): River Oaks, Zimmer.

APPRAISED ASSET VALUE COMPARISONS

QUALIFIED REITS	DATE	APPRAISED VALUE/ SHARE	% PRICE TO APP. VALUE
BANKAMER RLTY	7/83	$28.50a	-14.0%
CALIFORNIA REI#	12/83	$12.89	-15.6%
CLEVETRUST RLTY	9/83	$24.00b	-34.4%
COMMONWLTH RLT#	11/82	$17.00	-49.2%
FIRST UNION RE#	6/84	$33.44	-17.4%
INTL INCOME PR#	12/83	$11.79	-25.8%
IRT PROPRTY CO#	12/83	$19.60b	-12.0%
JMB REALTY	8/83	$19.34	-12.1%
MORTGAGE GROWTH	11/83	$18.25b	-19.8%
NEW PLAN RL TR#	7/83	$13.85	-12.4%
PROPTY TR AMER#	12/83	$18.50b	-31.1%
REIT AMER INC #	10/83	$58.03	-48.7%
RL EST INV PRP#	12/83	$18.91	-31.9%
SANTA ANITA	12/83	$23.98	-16.6%
UNIVERSITY RE	12/83	$8.29	-41.1%
USP RL EST INV#	12/83	$15.57	-37.4%
WASH RE (WRIT)#	12/83	$26.50b	-28.3%
WELLS FARGO M&E	6/83	$29.64a	-17.3%
WESTERN INV RE#	12/83	$17.98	-14.5%
AVERAGE			-25.1%
OPERATING COMPANIES			
BAY FINCL CORP	5/84	$33.94	-44.4%
CARLSBERG CORP	5/83	$18.78	-61.4%
FAIRFIELD COM	2/84	$18.62	-28.8%
KOGER CO #	12/83	$23.53	-3.8%
NEWHALL INV PR#	12/83	$17.90	-30.8%
PERINI INV PR #	12/83	$15.14	-18.2%
ROUSE CO #	12/83	$40.13	-16.2%
SAUL (BF) REIT	9/83	$20.42	-29.0%
SOUTHWEST RLTY#	12/83	$23.62	-41.8%
AVERAGE			-30.4%

Appraised market values of net assets (i.e., properties held) are either reported publicly by companies or estimated by RSR (see note b). Values are estimated by management and concurred in by independent appraisers except for: Koger Co. values set by independent appraisers; New Plan Realty, management estimate only. Share values are fully diluted.
a-Entity has not revalued mortgages.
b-Estimated by RSR; not confirmed by Trust or Co.

CONVERTIBLE DEBENTURES

DEBENTURE	EX	INT (%)	MAT	MIL $ OUT	CONV AT	SH(000) RESERVD	RECENT PRICE	YIELD (%)	CONV PARITY	STOCK PRICE
AMER CENTY'B	NY	6.75	'91	9.81	16.72	586	68.00	9.9	11.36	8.88
ATL METRO	OC	6.75	'91F	7.33	6.79	1079	54.00	12.5	3.66	0.88
BANKAMER RLT	NY	9.50	'00	2.59	17.44	148	143.00	6.6	24.93	24.50
BANKAMER RLY	NY	9.50	'08	50.00	31.00	1612	89.00	10.7	27.59	24.50
CENTENNIAL	OC	7.00	'86	2.09	16.67	125	81.00	8.6	13.50	1.25
CENTENNIAL*	OC	7.00	'86	2.09	16.67	125	81.00	8.6	13.50	1.75
FED NATL MTG	NY	4.37	'96	27.46	19.63	1399	81.00	5.4	15.90	13.50
FIRST UNION	NY	10.00	'06	25.29	17.33	1459	138.00	7.2	23.91	27.63
KOGER PROPS	NY	9.25	'03	20.00	29.75	672	83.00	11.1	24.69	23.00
LOM&NET FIN	NY	9.75	'08	109.35	24.25	4509	116.50	8.4	28.25	25.88
MASSMUTL M&R	NY	7.00	'00	6.74	20.00	337	83.00	8.4	16.60	16.88
MASSMUTL MTG	NY	6.75	'90	2.76	21.00	131	83.00	8.1	17.43	16.88
MASSMUTUAL M	NY	6.25	'91	6.00	33.50	179	65.00	9.6	21.77	16.88
MONY MTG IN	NY	7.00	'90	4.91	11.00	447	78.00	9.0	8.58	7.38
NEW PLAN RLY	AS	9.75	'98	25.00	12.00	2083	107.00	9.1	12.84	12.13
PENN REIT	AS	9.75	'03	35.00	25.50	1372	109.00	8.9	27.79	28.00
PNB MTG	AS	6.75	'91	3.06	18.31	167	72.25	9.3	13.22	14.38
PROPERTY CAP	OC	9.75	'08	40.00	38.00	1052	100.00	9.8	38.00	36.50
PULTE HOME	AS	8.50	'08	59.99	23.75	2525	80.00	10.6	19.00	13.63
PUNTA GORDA	AS	6.00	'92	14.00	19.50	717	60.00	10.0	11.70	8.25
REALTY INCOM	AS	8.00	'91	12.02	16.50	728	82.00	9.8	13.53	6.50
REIT AMER	AS	8.00	'93	50.12	50.00	1002	76.25	10.5	38.12	29.75
RYAN HOMES	AS	6.00	'91	6.25	30.50	205	97.50	6.2	29.73	22.00
SAUL (BF) RL	OC	6.50	'91	23.24	23.00	1010	71.00	9.2	16.33	14.50
TRECO INC	OC	8.50	'98	4.25	1.62	2627	180.00	4.7	2.91	3.00
TRI-SO INV	NY	7.00	'92F	5.81	29.50	197	64.00	10.9	18.88	6.00
US HOME	NY	5.50	'96	4.72	11.98	393	69.00	8.0	8.26	6.63
WASH CORP	OC	6.50	'91	11.51	23.28	494	54.00	12.0	12.57	2.50
WELLS FARGO	NY	12.00	'05	27.89	25.03	1114	105.00	11.4	26.28	24.50

CONVERSION PARITY IS PRICE AT WHICH SHARES WOULD HAVE TO SELL TO JUSTIFY DEBENTURE PRICE. VJ=IN BANKRUPTCY REORGANIZATION. DEF=IN DEFAULT. F=TRADES FLAT, WITHOUT ACCRUED INTEREST. PH=PHILADELPHIA EXCHANGE. PS=PACIFIC EXCHANGE. *-CONVERTS INTO PREFERRED SHARES.

STRAIGHT BONDS

ISSUER & DESC.	EX	INT.	MATURITY	MIL $	PRICE	% YIELD
AMER CONTNL-A	OC	10.75	8/1/90	125.0	83.00	13.0
AMER PAC-B	PS	16.25	9/30/94	4.3	97.00	16.8
BAY COLONY PROP-B	PS	8.50	3/15/89	13.3	81.00	10.5
CAMPANELLI-B	AS	12.88	7/1/94	14.5	70.50	18.3
DEV CP AM-C	AS	10.00	3/1/93	5.2	68.00	14.7
DEV CP AMER-C	AS	12.00	7/31/94	9.2	74.63	16.1
FAIRFIELD-C	AS	15.13	2/15/97	20.0	100.00	15.1
FPA CORP-C	AS	14.50	9/1/00	25.0	95.63	15.2
GRUBB & ELL-B	PS	8.50	12/3/87	11.4	87.00	9.8
GULFSTREAM-A	AS	14.25	6/15/95	30.0	100.88	14.1
INST INVESTOR-B	OC	8.25	2/1/87	4.8	70.00	11.8
INTEGRATED-B	AS	12.88	5/15/99	15.4	82.50	15.6
INTEGRTD RES-B	NY	8.63	4/15/97	85.0	58.63	14.7
KAUFMN&BRD-C	NY	12.25	1/15/99	33.4	82.13	14.9
MDC CORP-C	OC	7.00	4/15/93	64.0	63.00	11.1
MSA REALTY-C	AS	9.25	4/1/93	75.0	99.00	9.3
ORIOLE HOME-A	AS	12.63	6/1/97	20.0	80.00	15.8
ORIOLE HOME-C	AS	12.88	7/15/00	25.0	85.00	15.2
REALTY REFUND-A	NY	11.38	11/1/98	20.0	73.00	15.6
REALTY REFUND-C	NY	12.00	5/15/98	15.0	83.00	14.5
SMI INVSTR-A	AS	14.00	11/1/87	9.9	98.50	14.2
STD PACIFIC-C	NY	12.75	6/15/99	25.0	84.00	15.2
TRECO-C	OC	6.75	9/1/91	5.3	57.00	11.8
US HOME	NY	10.00	8/15/87	33.7	90.00	11.1
US HOME-A	NY	12.75	1/15/89	49.5	98.00	13.0

DESCRIPTION: A-SENIOR; B-SENIOR SUBORDINATE; C-SUBORDINATE OR JUNIOR SUBORDINATE. VJ-BANKRUPTCY REORGANIZATION. DEF-IN DEFAULT. F-TRADES FLAT, WITHOUT ACCRUED INTEREST.

REALTY STOCK GROUP ACTION SUMMARY

GROUP NUMBER & NAME	DIV	NON-DIV	TOTAL	SHARE (000)	BOOK VALUE	ANN DIV	EARN ANN	LAST PRICE	-% CHNG FROM-- JUL 24	JAN 1	P/E RATIO	ANN YIELD	% PR TO BK	RETURN ON BK	MARKET VALUE
1 PROPERTY REITS	33	1	34	3561	12.51	1.36	1.29	17.97	2.8	0.6	13.9	7.6	43.6	10.3	2247.9
2 PROP & MTG COMB REITS	10	2	12	3907	12.16	1.39	1.87	15.26	1.7	-4.0	8.2	9.1	25.5	15.4	846.7
3 MORTGAGE REITS	14	2	16	4726	15.91	1.82	1.70	15.61	3.8	-8.3	9.2	11.6	-1.9	10.7	1266.1
4 MAJOR HOMEBUILDERS	8	2	10	13969	11.82	0.30	1.43	13.43	13.2	-31.8	9.4	2.3	13.6	12.1	1719.0
5 OTHER BLDRS/DEVELOPERS	8	28	36	4810	6.74	0.06	0.56	8.13	9.4	-8.3	14.4	0.8	20.6	8.4	1392.7
6 INCOME PROP BLDR/OWNR	12	15	27	8241	9.26	0.36	1.39	12.22	5.9	0.0	8.8	3.0	32.0	15.0	1956.1
7 MORTGAGE BANKER/FINANCE	7	7	14	10336	6.70	0.21	1.11	9.32	11.2	-15.1	8.4	2.2	39.1	16.5	1779.8
8 DIVERSFIED RLTY&HOLDING	10	9	19	10113	6.62	0.16	1.51	11.00	4.7	5.0	7.3	1.4	66.2	22.9	1434.7
9 RLTY SVCS/SYNDICATOR	6	2	8	5738	6.79	0.10	1.11	9.52	6.1	-20.4	8.6	1.0	40.2	16.4	443.2
10 MANUFACTURED HOUSING	4	4	8	13165	5.31	0.16	0.64	9.08	24.7	-26.2	14.1	1.7	70.9	12.1	990.5
L LIQUIDATING COS			4	5387	7.75	10.79	1.93	12.94	-3.7	26.6	6.7	83.4	66.9	24.9	149.2
OVERALL AVERAGE			188	6885	9.52	0.62	1.21	12.43	6.0	-7.1	10.2	5.0	30.6	12.8	14225.9
DOW JONES INDUSTRIALS							87.38	1196.11	10.1	-5.0	13.7	4.7			

NOTE: LIQUIDATING COMPANIES INCLUDED ONLY IN COMPANY AND MARKET VALUE AGGREGATES; NOT INCLUDED IN OVERALL AVERAGES.

REALTY STOCK RANKINGS

REALTY STOCK REVIEW has developed its exclusive Rankings of real estate stocks to indicate relative quality of historic track record for investors. Rankings from "A" to "E", shown in the third column from left in the statistical tables above, are assigned based upon our analysis of five-year earnings and dividend trends, financial strength and liquidity, and management record. Being historical, Rankings are not based upon current price and thus are not intended as recommendations.

An asterisk (*) denotes stocks which cannot be ranked because of insufficient (generally less than two years) operating history in present form or incomplete data. (Z) denotes entities which currently retain Audit or its investment banking affiliate, Campbell & Dillmeier, for specific assignments; and entities for which we are acting as non-retainer intermediary for a publicly announced proposed transaction during the transaction's pendency. (L) denotes liquidating entities, which are not ranked. Rankings and Buy-Sell-Hold advices given without regard to whether the entity subscribes to RSR. Stock prices of REITs tend to be less volatile than stocks of operating companies, hence generally are better suited for longer-term.

BUY - SELL - HOLD ADVICES

Buy - Sell - Hold advices are summarized in the first two left-hand columns in the statistical tables, as "B" = Buy; "H" = Hold; "S" = Sell or Avoid. When two advices are combined (e.g., "B/H"), accent is upon the first advice. Advices are reviewed each issue and advice changes are underlined. Advices are classed as Short-Term ("S/T") for holding less than one year; and Long-Term ("L/T") for one to three years. No advices are given during pendency of a proposed equity-type security offering, or during pendency of an assignment involving Audit or its investment banking affiliate (see "Z" left). Advices are given for most widely held and active stocks, but we cannot advise at all times on thinner, less active stocks. No advices are given for convertibles, warrants or preferreds, which depend upon underlying common.

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